

VZCZCXYZ0012
PP RUEHWEB

DE RUEHVB #0069/01 0311047
ZNY CCCCC ZZH
P 311047Z JAN 08
FM AMEMBASSY ZAGREB
TO RUEHC/SECSTATE WASHDC PRIORITY 8530
INFO RUEHZG/NATO EU COLLECTIVE
RUEHSQ/AMEMBASSY SKOPJE 2605
RUEHTI/AMEMBASSY TIRANA 0830
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHDC
RUEHNO/USMISSION USNATO 3468

C O N F I D E N T I A L ZAGREB 000069

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DEPARTMENT FOR EUR - P/DAS VOLKER, DAS DICARLO, EUR/RPM,
EUR/SCE
USNATO FOR AMB NULAND, UNDERWOOD, BAEZ, GLORIOSO
NSC FOR BRADLEY
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E.O. 12958: DECL: 01/24/2018

TAGS: [PREL](#) [PGOV](#) [KPAO](#) [MOPS](#) [MARR](#) [NATO](#) [HR](#) [DEFENSE](#) [REFORM](#)

SUBJECT: ASSESSMENT OF CROATIA'S NATO READINESS

REF: A. ZAGREB 24

[1](#)B. USNATO 22

[1](#)C. ZAGREB 22

[1](#)D. ZAGREB 10

[1](#)E. 07 ZAGREB 1092

Classified By: Political Officer Tom Selinger for reasons 1.4(b) and (d).

[1](#)1. (U) Following is Post assessment of Croatia's progress on key reform issues related to NATO accession and remaining challenges facing PM Sanader's new government in advance of a possible membership invitation at the Bucharest Summit.

REGIONAL LEADERSHIP: COMMITTED TO STABILITY OF NEIGHBORS

[1](#)2. (U) After gaining parliamentary approval of his new government on January 12, PM Sanader repeated his commitment to Croatia's Euro-Atlantic integration and its role in supporting its eastern neighbors on this same path (ref A). The GoC sees its success in winning a non-permanent seat on the UN Security Council (UNSC) and the conclusion of the full OSCE mission in Croatia as international recognition of the country's contributions to regional stability and its efforts to address the legacies of war from the 1990s. Post expects no major changes in the GoC's positive engagement in the region under new FM Gordan Jandrokovic, who chaired parliament's foreign affairs committee for the past four years and served as a member of Croatia's National Committee on NATO Membership.

[1](#)3. (U) The GoC has continued active partnership in the Adriatic Charter and has publicly called for invitations for all of the A-3 in Bucharest. Croatia served as A-3 chair in the last half of 2007, hosting a successful Adriatic-3/Baltic-3 meeting for foreign and defense ministers in October and organizing an A-3 foreign ministers meeting on the margins of the UNGA in September. In both events, Croatia also involved the three new Partnership for Peace (PfP) members in the region and is supporting their involvement in other NATO activities, including plans to host Montenegrin observers in their next ISAF deployment.

[1](#)4. (U) The GoC maintains vigorous and positive bilateral relations with every country in the region. In May 2007, Croatia concluded its successful chairmanship of the South

East European Cooperation Process with the formation of a permanent Regional Cooperation Council (RCC), the successor to the Stability Pact initiative. A Croatian diplomat is currently serving as the first secretary general of the RCC. Government and parliamentary leaders have made regular efforts to contribute to stability both in Bosnia and Herzegovina and in Kosovo. Croatia is in the process of opening a diplomatic office in Pristina, and maintains broad contacts in Kosovo, including GOC-support for efforts by a Croatian Serb parliamentarian to encourage Kosovo Serbs to engage directly with Kosovar institutions in Pristina.

15. (C) With its entry into the UNSC this month, Croatia's role on Kosovo becomes even more critical. The GoC has supported the Ahtisaari plan and has regularly (including as recently as on January 25 by FM Jadrokovic) assured Post that it will follow the lead of the US and EU on the Kosovo issue, including recognition of independence. At the JAN 16 UNSC session, Croatia's position was fully supportive of USG views. The GoC is counting on EU unity on this issue, knowing full well that it will bear the brunt of any trade sanctions or other retaliatory measures Belgrade might take in response.

BUILDING PUBLIC SUPPORT: NEW GOVERNMENT BRINGS NEW ENERGY

16. (U) During a January 16 meeting with the North Atlantic Council (ref B), PM Sanader assured NATO PermReps of his government's commitment to continuing education of the Croatian public on NATO. Support for membership has been hovering around 50 percent since before the November elections, when what had been a very effective government outreach campaign temporarily halted pending a new

government. Sanader expressed confidence in Brussels that support will grow as his team spreads the message that the Alliance "is not just about security, but about values, democracy, and human rights." The Government convened its "State Committee on NATO Membership" on January 25 to continue planning on concrete efforts to increase public outreach.

17. (U) In the coalition agreement between Sanader's Croatian Democratic Union (HDZ) and the Peasant Party (HSS) and the Social Liberals (HSLs), the PM succeeded in convincing his partners to rule out a public referendum on NATO membership (refs C and D). Instead, the new ruling coalition committed to continued engagement in international peacekeeping operations, further contributions to NATO peace-building missions, and sustained public outreach on the advantages of alliance membership.

18. (U) While Croatian Ambassador to NATO Davor Bozinovic will likely again play a prominent role in the GoC's outreach, the MFA has also begun to send other speakers to public events, broadening the number of voices supporting membership in the media. In addition, former head of MFA's NATO Dept Neven Mikec has moved up to be FM Jandrokovic's new chief of cabinet, putting NATO expertise at the minister's fingertips and keeping the Alliance near the top of the MFA's priority list.

REFUGEE RETURNS AND HOUSING: MEETING 2007 BENCHMARKS?

19. (U) For returning refugees who owned property before they fled the war, Croatia has largely addressed home reconstruction, repossession and infrastructure development. According to the UNHCR and OSCE, with the exception of cases pending appeal, the cases of those who owned residences have been resolved and only 17 houses subject to repossession remain in dispute. In tens of thousands of other cases, property owners have been able to return to their property or received alternate housing, reconstruction assistance, or compensation.

10. (U) A key remaining challenge has been how to accommodate

those who did not own property but held tenancy rights in socialized housing. In consultation with the international community, the GoC set two benchmarks for 2007:

- resolve 1,000 of these housing care cases inside Areas of Special State Concern (ASSC -- areas most directly affected by the war), and
- provide 400 apartments to applicants outside ASSC.

¶11. (U) The GoC reports it achieved both 2007 benchmarks. On January 15, the GoC said it has resolved 1,007 cases inside ASSC, meaning applicants have either moved into alternate housing, have accepted building materials in lieu of housing, or are awaiting completion or availability of designated housing. Outside ASSC, the GoC said it has purchased 408 apartments. According to the government, 307 of these units are actually available for occupancy, while the rest are still being processed.

¶12. (C) The international community has not yet been able to verify these claims. Previous field checks by the OSCE and UNHCR have revealed that the GoC often stretches the definition of "resolving" a case to show maximum progress, often reporting a case involving a unit that is still in the process of being purchased or renovated as resolved. However, the GoC is generally moving steadily in a positive direction in what will be a long-term political and budgetary challenge. Even after meeting the 2007 benchmarks, the GoC faces almost 10,000 more unresolved applications in the years to come.

¶13. (U) Within the so-called "Sarajevo Process," the Government of Serbia has pushed for Croatia to pay financial compensation to former holders of tenancy rights who do not actually wish to return to Croatia. The GoC argues that tenancy rights are not private property and that providing compensation for tenancy rights to those who do not want to return violates the spirit of the process, which is to promote return of refugees to their home country. The GoC stressed repeatedly that it promises to provide housing to all those who wish to return. The GoC has also offered to support a donors' conference to assemble a package of assistance for individuals unwilling to return, but has said it could only be one of several donors in such an effort.

¶14. (U) The final unresolved issue within the "Sarajevo Process" is recognition (or "convalidation"), for pension and benefits purposes, of years worked in the former Serb-held territories during the war. This has been a topic of long political discussions between the GoC and Croatian Serb politicians, and a commitment to finding a resolution is reportedly part of the governing coalition agreement signed earlier this month between the Independent Serbian Democratic Party (SDSS) and the HDZ. Convalidation and other refugee return issues will continue to be monitored by the EU, as resolution of these questions is explicitly included among the EU's criteria for Croatia's eventual accession to the Union.

REFORMING THE JUDICIARY, COMBATTING CORRUPTION

¶15. (U) Judicial reform remains a key area of concern, with a persistent public perception of the judiciary as one of the country's main sources of corruption. However, Post has noted progress. The case backlog has actually been reduced 30 percent in the past two years, and improvements in court administration, including computerization and court rationalization, are expected to speed up progress. The MoJ continues to improve training of judges and supervision of judicial administration. Serious weaknesses in such areas as witness support still persist and have the potential to jeopardize cases such as the war crimes prosecution of Generals Ademi and Norac transferred from The Hague Tribunal. But politically it is notable that such high profile war crimes cases against ethnic Croats are proceeding without significant public protest or resistance.

¶16. (U) Croatia's steady implementation of its National

Strategy to Combat Organized Crime and Corruption is yielding results. The GoC has established police and prosecutor task forces to combat organized crime and has begun freezing assets in narcotics cases. The GoC's Office for the Suppression of Corruption and Organized Crime (USKOK) conducted three high-profile stings in the past six months leading to 36 arrests of government officials and private citizens for corruption within the Croatian Privatization Fund (Operation "Maestro"), the Zagreb land registry office (Operation "Gruntovec," ref E), and the Dubrovnik permitting office (Operation "Five Stars").

¶17. (C) USKOK Director Dinko Cvitan has claimed that these stings are only the beginning of the GoC's ongoing campaign to tackle corruption, and several other operations will go public early this year. The investigations are also becoming increasingly sophisticated, moving from informants into electronic surveillance. According to Cvitan, he has the full support of PM Sanader and the rest of Croatia's political leadership in this fight, stressing that all of his requests to the GoC for operational funds -- including money for informants to use to pay bribes -- have been honored with no questions asked. While USKOK has still not netted the biggest fish, their recent success is a positive development that should embolden them to continue to move up the corruption food chain.

DEFENSE SPENDING: BALANCING DEFENSE AND DEPLOYABILITY

¶18. (U) The GoC remains on track to raise defense spending to 2 percent of GDP by 2010 as set out in the MoD's Long Term Development Plan (LTDP). Defense spending in 2007 was approximately 1.63 percent of GDP (1.96 percent when pension payments are included and fire fighting is excluded, per NATO's formula). Projected figures (without pensions, with fire fighting) for 2008 and 2009 are 1.77 percent and 1.82 percent respectively.

¶19. (U) Reduction of personnel costs is a long-term priority in the LTDP. In 2007, personnel costs were approximately 67 percent of the defense budget -- down from 79 percent in ¶2003. Military planning guidelines for the coming year call for salary upgrades, improvements to living and working conditions, and increased compensation for deployed troops, so the MoD must stick to its force reduction targets in order to continue decreasing personnel costs.

¶20. (U) About 7 percent of the defense budget was available for equipment purchases and modernization in 2007. Under the LTDP, this figure will improve to 32 percent by 2010, with USD 610 million envisaged for equipment for the land forces, USD 474 million for the air force, and USD 185 million for maritime forces. Having completed the tender in 2007 to procure armored personnel carriers for the land forces, the largest procurement priorities remain advanced fighter aircraft and coastal patrol ships. Croatian leaders are committed to this plan, which they believe balances national defense needs and force deployability.

HANDLING CLASSIFIED: APPROACHING NATO STANDARDS

¶21. (U) The GoC took several steps forward last year in applying NATO security standards and regulations, in particular in the field of security legislation, and we do not expect this to be an issue of concern for accession. The Data Secrecy Act and the Information Security Act were adopted in July 2007. Early this year, we expect the newly formed parliament to adopt the Security Clearance Act, which will harmonize Croatian and NATO requirements. In the meantime, vetting and clearance procedures are in line with NATO standards on the basis of a governmental decree on security vetting, according to NATO International Staff experts. Information security-related structures are mostly established, although they still need some time to become fully operational.

¶22. (U) NATO's January 2008 progress report on Croatia noted

that the GoC's National Security Authority has established a properly staffed registry system in compliance with NATO standards and that information flow is well regulated. The GoC has also established and funded an INFOSEC authority (Zavod za Sigurnost Informacijskih Sustava). Current physical security requirements are in most cases in line with NATO's requirements, and the Central Registry has been upgraded to enable operation at the COMSIC TOP SECRET level. The GoC must now focus on developing and approving national INFOSEC directives and establishing a Security Accreditation Authority to enable implementation of a communications system capable of processing NATO information.

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